SASKATCHEWAN MILK CONTROL BOARD

THE MILK CONTROL BOARD, 2003 PERSONAL SERVICES (unaudited)

Listed are individuals excluding unionized employees, who received payments for salaries, taxable benefits, honoraria, travel, etc., which totalled $2,500 or more.

	Salaries & Taxable Benefits	Travel	Total
Staff			
Gerry Gartner	$104,445.00	$19,192.63	$123,637.63
Jerry A. Frass	64,485.00	1,180.87	65,665.87
Mary Ann Costron	51,201.00	555.37	51,756.37
Unionized Employees	130,113.82	4,010.00	134,123.82
Sub Total	$350,244.82	$24,938.87	$375,183.69
	Honoraria	**Travel**	**Total**
M.C.B. Members			
Shelley Slykhuis	$ 8,518.75	$ 9,399.99	$ 17,918.74
Leonard Blocka	6,800.62	8,321.32	15,121.94
David Christensen	3,545.50	5,052.80	8,598.30
David Finlay	1,879.37	1,729.21	3,608.58
Joanne Mortenson	1,413.37	1,730.83	3,144.20
Joe Guenther	1,414.37	1,513.68	2,928.05
Others	2,334.69	930.27	3,264.96
Sub Total	$ 25,906.67	$ 28,678.10	$ 54,584.77
Dairy Industry Committee			
Leo Bertoia	$ 2,790.00	$ 11,967.81	$ 14,757.81
Emile Marquette	2,809.37	6,624.69	9,434.06
Henry Friesen	4,088.12	4,987.80	9,075.92
Others	$ 2,886.88	$ 3,622.59	$ 6,509.47
Sub Total	$ 12,574.37	$ 27,202.89	$ 39,777.26

Supplier Payments:

Listed are payees who received $20,000 or more for providing goods and services including office supplies, advertising, contracts, legal, equipment, etc.

Producer Expenses		$ 136,047,861.46
Unsaleable milk	milk below national quality standards	80,266.18
Dairyland Fluid Division	producer payment services	69,534.16
SREIT (NCO) Building Ltd.	office rent and parking	42,276.96
Agriculture, Food & Rural Revitalization	milk component testing	31,222.00
Wheatland Accounting	accounting service for Cost of Production	27,655.88
Payees under $20,000		106,305.47
Sub Total		$ 136,405,122.11

GRAND TOTAL	$388,725.86	$ 80,819.86	$ 136,874,667.83

Government of Saskatchewan

Annual Report

2003

Saskatchewan Milk Control Board

Government of
Saskatchewan

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2003

Saskatchewan Milk Control Board

SIXTY- NINTH ANNUAL REPORT

FOR THE TWELVE MONTHS

ENDED DECEMBER 31, 2003

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104-05044/

SASKATCHEWAN MILK CONTROL BOARD

Honourable Lorne Calvert
President of the Executive Council
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Sixty-Ninth Annual Report of the Saskatchewan Milk Control Board, together with the financial statements for the year ended December 31, 2003, pursuant to the Provisions of Section 27 of *The Milk Control Act, 1992.*

Respectfully submitted,

THE MILK CONTROL BOARD

Leonard Blocka

Leonard Blocka
Chairperson

BOARD MEMBERS

The Board is comprised of six members appointed by the Lieutenant Governor-in-Council. The Board members are:

CHAIRPERSON

Mr. Leonard Blocka, Prince Albert

MEMBERS

Dr. David Christensen, Saskatoon
Ms. Joanne Mortenson, Saskatoon
Mr. Garf Stevenson, Regina
Mr. David Finlay, Delisle
Mr. Joe Guenther, Osler

OBJECTIVES AND ORGANIZATION

The Milk Control Board is a body corporate established pursuant to *The Milk Control Act, 1992*. The Board plays a key role in the establishment and administration of Saskatchewan's dairy policy. It works closely with producers, processors and government agencies to develop policies which provide efficient producers with the opportunity to obtain a fair return for their labour and investment, while providing consumers with an adequate supply of high quality dairy products at a reasonable price. The Act empowers the Board to make regulations or orders relating to the production, supply, pricing or sale of milk and to inquire into or conduct hearings pertaining to any of the foregoing. The Act also allows the Board to enter into contracts and other agreements that the Board considers appropriate to carry out its responsibilities.

The Board works closely with the dairy industry and strives to balance and serve the interests of all dairy stakeholders--producers, processors, consumers and government. The Board provides an administrative vehicle for Saskatchewan's participation in the federal/provincial Milk Marketing Plan and Western Milk Pooling Agreement.

Over the past sixty-nine years, the policies and regulations advanced by the Milk Control Board have become increasingly complex. During this same period, the dairy industry has experienced major rationalization and centralization of processing activity within Saskatchewan.

INTRODUCTION

During the year under review, the Canadian dairy industry continued to address the major challenge of adjusting to new market circumstances. In December 2002, the World Trade Organization (WTO) Appellate Body ruled that Canada's separation of the export from the domestic market through the creation of the Commercial Export Mechanism (CEM) was not in compliance with the WTO export subsidy definitions. As a result, Canadian dairy producers and processors found themselves restricted to supplying the domestic market only, with virtually no room to export.

During 2003, the Canadian Milk Supply Management Committee expended considerable time and effort developing program alternatives to more tightly manage national production as it relates to domestic market requirements. Work will continue into the New Year to refine a national quota management program. Fortunately, the national market for most dairy products remained strong throughout the year. Continued market growth greatly eased the difficulty experienced by the industry as it adjusts to new market realities.

Saskatchewan has experienced less difficulty than other provinces adjusting to serving only the domestic market since its producers and processor were not heavily engaged in export sales through the CEM.

Saskatchewan producers also responded very well to the new challenge by filling 100 percent of Market Share Quota (industrial). Milk Control Board quota swapping and quota management programs facilitated this unique accomplishment.

A major development during 2003 was the correction of calculations used to allocate national industrial quota among the provinces. It was found that the Western Milk Pool provinces (British Columbia, Alberta, Saskatchewan and Manitoba) were not obtaining full recognition for population change in the methodology. When corrected and applied on a retroactive basis, Saskatchewan producers received a 2.71 per cent increase in their Total Production Quota. This quota increase moved production allowance to a record level of 7.950 million kilograms of butterfat annually.

While Saskatchewan producers and processors achieved the opportunity for increased production and income, potential gains were partially offset by declining fluid prices and the BSE crisis.

Fluid milk (Class 1) prices are established monthly by the Alberta Energy and Utilities Board for Saskatchewan, Alberta and British Columbia using an index of input costs and other economic indicators. Feed and grain prices carry a heavy weight in the composite index. In the two previous years, drought conditions resulted in high feed and grain prices, which in turn pushed fluid prices to high levels. As drought conditions subsided last year, fluid prices declined to more normal levels as feed and grain prices reflected more normal weather conditions.

The BSE crisis has impacted milk producer revenues due to the drastic reduction in cull cow and replacement values. Moreover, costs have risen as producers are confronted with carrying stock through longer feeding periods before marketing.

The Board continued to ensure representation and input from all sectors of Saskatchewan's dairy industry in its decision-making processes through the Dairy Industry Advisory Committee. The Board members and Advisory Committee devoted considerable time during the past year to analysis of the implications of various forces on the national, regional and provincial industries and the development of alternative strategies, which will maintain and promote a strong, viable dairy industry in Saskatchewan.

Since change is inevitable, the Board has sought to manage the changes within its jurisdiction to optimize the benefits to the Saskatchewan dairy industry and its consumers.

MILK PRODUCTION AND UTILIZATION

There are two marketing structures for milk in Canada. The federal government's authority to regulate the marketing of fluid milk is delegated to the provinces. The Canadian Dairy Commission, a federal crown corporation, collaborates with the provinces in the administration of the supply management system for industrial milk.

Each province in Canada regulates the production and manufacturing of milk within its own borders and sets pricing procedure, quota policies and other regulations. Marketing activities related to industrial milk, which was manufactured into products that were shipped across provincial boundaries, were carried out according to the terms and conditions of a federal-provincial agreement, the National Milk Marketing Plan.

The year under review saw a decrease in milk marketed by Saskatchewan

milk producers. Producers shipped 214,785,683 kilograms of milk to the fluid milk pool in 2003. This represented a decrease of 1.6 million kilograms, or a 0.74 percent decrease from the previous year (Table II). Producers received a total value of $136,047,861.00 in 2003, which represented a 3.06 percent increase from 2002.

The average number of milk producers decreased 8.03 percent from 322 in 2002 to 296 in 2003. The average daily shipment per producer increased from 1,842 to 1,988 kilograms per day, an increase of 7.93 percent (Table II). Class 1 milk, or milk processed for Saskatchewan fluid consumption, amounted to 86,674,562 kilograms of milk in 2003.

The Canadian dairy industry operates on butterfat quotas and on a "dairy year" basis, which runs from August 1 to July 31 of the following year. In Saskatchewan, producers shipped a total of 7,644,173 kilograms of butterfat during the 2002-2003 dairy year (Table III), representing a utilization of approximately 102.1 percent of the provincial yearly quota allotment. The average butterfat test on all milk was 3.58 percent per hundred kilograms, a slight increase from the 3.56 percent average from the previous year.

In August 2003, the Board allocated all of the province's total yearly milk quota to milk producers. Based on production levels from August 1, 2003 to December 31, 2003 and quota allocated to producers, the Board determined that the province's total yearly butterfat quota allotment of 7,949,678 kilograms of butterfat would be fully utilized by approved milk producers during the 2003-2004 dairy year.

PRODUCER POOLS

The Saskatchewan fluid milk pool successfully completed its twenty-eighth year of operation.

The Board maintained a single milk pool system for both fluid and industrial milk. Under pooling, the Board has the responsibility for purchasing all milk from registered milk producers and selling it to the processors. Each producer was allocated a quota based on Saskatchewan's quota policy and designed to meet the province's quota needs.

Multiple Component Pricing (MCP) was implemented in Saskatchewan on August 1, 1999. This decision was in keeping with commitments made by Saskatchewan when the Western Milk Pool Agreement was signed in 1997. With MCP there should be greater equity among producers and

processors. Also, because of the increased trend to low-fat dairy products, there is a need to place new emphasis on protein and other milk solids. Under MCP producers receive the true value of the total solids in the milk they supply and processors pay according to the components they receive. For example, more protein in the milk enables processors to obtain a higher cheese yield and therefore price the milk accordingly.

Under the new payment system, producers recognize that protein and other solids are being valued and it is expected that protein will continue to increase in value in relation to butterfat. Overall, MCP should provide a mechanism for the dairy industry to be more market responsive as the demand for various components continues to evolve in the future.

In 2003, the price of Class 1 milk was increased by $0.98 per hectolitre on March 1 and April 1. On August 1, October 1, November 1 and December 1, the price decreased by $0.98, $1.96, $2.94 and $1.96 respectively. These milk price adjustments decreased producer returns on Class 1 milk from $72.63 at the end of December 2002 to $66.75 per hectolitre. The price adjustments were triggered by the Alberta pricing formula, the pricing mechanism agreed to by the provinces participating in the Western Milk Pool.

At the Federal level, the Industrial Target Return Formula price (Classes 2 to 5) was increased on one occasion, February 1, 2003. As of this date, the support price for skim milk powder increased from $4.9858 to $5.1966 per kilogram, and for butter from $5.9011 to $6.1061 per kilogram. The assumed processor margin increased by 3.9 percent, or $0.33 per hectolitre.

In August 1995, dairy stakeholders implemented Special Class milk pricing and pooling. This has been designed to better accommodate the dairy industry and the World Trade Organization. This allowed dairy processors and other food processors to remain competitive on domestic and global markets.

This pooling system is administered by the Canadian Dairy Commission and provides milk to food manufacturing processors and exporters at competitive prices. Returns for the milk sold as Special Class milk are pooled among all dairy producers in the ten provinces, which are signatories to the National Milk Marketing Plan.

Under the second pooling arrangement, known as the Western Milk Pool, the revenue from all milk sales (fluid and industrial) is pooled among the

producers of British Columbia, Alberta, Saskatchewan and Manitoba. The agreement generates new opportunities, new challenges, and greater flexibility for processors in the four western provinces. It ensures producers a more predictable and stable environment and allows processors to rationalize their plants to improve efficiency and competitiveness.

During 2001, the Western Milk Pool Coordinating Committee took steps to further improve the operations of the Agreement by harmonizing Class 2-4 prices across the region. This measure, taken to further "level the competitive playing field", came into effect on February 1, 2002.

MARKETING AND TRANSPORTATION

At year-end, the Board marketed milk to two Saskatchewan processing plants: one combination (fluid/industrial), and one industrial milk plant located in Saskatchewan.

Agrifoods International Cooperative Ltd. continued to serve as agent of the Board for the transportation of all milk produced in the province. This organization continued to restructure raw milk pick up to increase efficiency. The average basic rate decreased during 2003 (Table I). In 2003, the cost to transport the 214,785,683 kilograms of milk marketed amounted to $4,736,607.91, or an average of $2.21 per hundred kilograms, compared to $2.22 per hundred kilograms the year previous. Under the regulations of the pool, producers were charged haulage to the nearest milk processing plant that existed when the dairy enterprise was established.

In response to plant closures, the Board and industry stakeholders agreed that when a milk producer is affected by a plant closure, the following would apply:

1) Any producer whose trucking rate is greater than the provincial average would continue to have his monthly trucking calculated on the same distance factor as if the plant had not closed.

2) Any producer in the affected area whose trucking rate was below the provincial average would have his rate increased one year later to the provincial monthly average for the preceding months.

The transportation cost comparison is presented in Table I.

TABLE I (Unaudited)

TRANSPORTATION VOLUMES AND RATES 1993 - 2003

Year	Volume Transported (kg)	Average Rate $/Per 100 kilograms
2003	214,785,683	2.21
2002	216,382,234	2.22
2001	214,843,080	2.03
2000	214,379,921	1.93
1999	210,369,201	1.95
1998	208,339,287	1.95
1997	212,147,426	2.17
1996	202,916,979	2.16
1995	210,811,203	2.14
1994	205,056,638	2.09
1993	201,186,781	2.07

The Board acknowledges and appreciates the commitment of bulk milk transporters in achieving an efficient transportation system.

MILK CONTROL BOARD ACTIVITIES

The Board members strive to accommodate the interests of producers, processors and consumers as well as other industry stakeholders.

During 2003, a new Board was appointed, consisting of six members, representing a cross-section of industry stakeholders. The Board held six meetings during the year. Board members also spent numerous days attending various committee meetings, as well as maintaining contact with local milk producers and industry organizations. In an effort to further increase communications with milk producers, the number of district meetings was doubled. In addition to the regular six spring meetings, another six meetings were held in the fall of 2003. Because of the number of fast-moving changes occurring in the industry, the Board considered it vital that producers be kept informed on a more frequent and regular basis.

These meetings provided producers with information on current issues regarding Western Milk Pooling, Multiple Component Pricing, quota policies, quota swapping and other issues the dairy industry should consider. The information obtained from these meetings assisted the Board and Advisory Committees in developing the appropriate policies and procedures for Saskatchewan's dairy industry.

Board members, and other industry representatives attended five meetings of the Canadian Milk Supply Management Committee. A most significant

activity was to strengthen and test the methodology used to forecast future supply and demand circumstances so that the domestic supply management system can respond more quickly to changing market circumstances.

During 2003, the Board's Western Milk Pool Coordinating Committee participated in five meetings. Last year, the Western Milk Pool provinces negotiated and implemented an arrangement with Saputo Inc. to ensure producers have a Plant of Last Resort (PLR) to absorb surplus milk in return for a guaranteed supply of high quality milk for the processor. This year, the western provinces completed a cost sharing agreement pursuant to the Saputo PLR agreement.

Over the past year communications with producers have received a high priority to address the broad range of changes regarding producers. It has been especially important to keep producers abreast of developments and to respond to inquiries as the industry adjusts to new quotas, pricing and World Trade Organization rulings. The Saskatchewan Milk Control Board monthly newsletter is a publication that strives to provide information in a timely and concise manner. It serves to keep stakeholders informed of developments pertaining to marketing and other issues. Feedback indicates that this has been effective in improving the communication link between the Board and producers.

In addition to the use of traditional communication vehicles, the Board operates a website to serve as a means to further strengthen communications with the industry's many stakeholders.

The Board gratefully acknowledges the contributions of Industry Advisory Committee members, and is indebted for the advice, support and cooperation extended to it by all sectors of the dairy industry.

At year-end, there were six people on the Board's permanent staff. The Board wishes to thank the staff for their hard work and loyalty during another very busy year.

LEGISLATION

The pricing of milk for fluid purposes is a Board responsibility. The Board's primary objective is to provide efficient producers and processors with a fair return to labour, management and investment. The Federal Government has jurisdiction over the industrial milk pricing, administered through a federal-provincial agreement known as the National Milk

Marketing Plan.

Special Milk Classes were established on August 1, 1995, to provide milk to other food processors and exporters at competitive prices, consistent with Canada's commitment under the trade agreements. The Special Class Pooling Agreement now includes all ten participating provinces. Special Class Milk component prices are uniformly adjusted across the ten provinces on a regular basis.

BOARD FINANCES

Financing of the operation of the Board was derived from assessment fees levied on producers and processors, processor license fees and interest on investments.

THE MILK CONTROL BOARD OF SASKATCHEWAN, MANAGEMENT REPORT 2003

The management of The Milk Control Board of Saskatchewan is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. It is the responsibility of management to prepare financial statements in accordance with generally accepted accounting principles in Canada.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived there from.

The financial statements have been audited by the Provincial Auditor of Saskatchewan. The report to the Members of the Legislative Assembly, stating the scope of the examination and opinion on the financial statements, appears on the following page.

The financial statements have been examined and approved by the Board.

Gerry Gartner
Chief Executive Officer
Regina, Saskatchewan
February 27, 2004

J.A. Frass
Administrative Officer

MILK CONTROL BOARD

FINANCIAL STATEMENTS

For the Year Ended December 31, 2003

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Milk Control Board as at December 31, 2003 and the statements of revenue, expenses and net assets, and cash flows for the year then ended. The Board's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
February 27, 2004

Fred Wendel, CMA, CA
Provincial Auditor

MILK CONTROL BOARD
BALANCE SHEET
As at December 31

	2003	2002
ASSETS		
Cash	$ 964,111	$ 846,813
Accounts receivable	7,291,782	6,874,575
	8,255,893	7,721,388
Capital assets (Note 3)	7,556	8,638
	$ 8,263,449	$ 7,730,026
LIABILITIES AND NET ASSETS		
Accounts payable	$ 8,014,834	$ 7,542,613
Net assets (Statement 2)	248,615	187,413
	$ 8,263,449	$ 7,730,026

(See accompanying notes to the financial statements)

Statement 2

MILK CONTROL BOARD
STATEMENT OF REVENUE, EXPENSES AND NET ASSETS
Year Ended December 31

	Budget 2003 (Note 6)	Actual 2003	Actual 2002
Revenue:			
Milk sold to processors	$132,000,000	$135,461,227	$128,137,323
Milk Pools (Note 4)	(2,000,000)	586,634	3,866,359
Milk Pool administration and assessment fees	731,000	730,031	709,573
Interest	54,000	41,805	51,309
Milk quality penalties	125,000	113,410	114,888
Licence fees and miscellaneous	2,525	2,762	2,897
	130,912,525	136,935,869	132,882,349
Expenses:			
Milk purchased from producers	130,000,000	136,047,861	132,003,683
Salaries	350,000	350,058	343,643
Milk pool administration expense	120,000	118,781	114,576
Disposal of unsaleable milk	75,000	80,266	107,817
Travel, sustenance and vehicle expense	108,126	86,559	101,157
Rent	56,288	47,781	55,014
Legal	40,000	11,809	53,039
Employee benefits	52,800	50,100	47,872
Honoraria	43,936	38,481	43,112
Administrative expense	33,125	25,569	34,208
Cost of production study	8,500	11,339	7,276
Amortization	4,466	6,063	5,526
	130,892,241	136,874,667	132,916,923
Surplus (Deficit) for the year	$ 20,284	61,202	(34,574)
Net assets, beginning of year		187,413	221,987
Net assets, end of year - to Statement 1		$ 248,615	$ 187,413

(See accompanying notes to the financial statements)

MILK CONTROL BOARD
STATEMENT OF CASH FLOWS
Year Ended December 31

	2003	2002
Cash flows from (used in) operating activities:		
Cash receipts from customers, interest and fees	$136,518,662	$133,565,285
Cash paid to suppliers, employees, and board members	(136,396,383)	(134,194,899)
Cash flows from (used in) operating activities	122,279	(629,614)
Cash flows from (used in) investing activities:		
Purchase of capital assets	(4,981)	---
Net increase (decrease) in cash during the year	117,298	(629,614)
Cash position, beginning of year	846,813	1,476,427
Cash position, end of year	$ 964,111	$ 846,813

(See accompanying notes to the financial statements)

MILK CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

1. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

a) Revenue Recognition

Revenue from milk sold to processors is recognized when milk is delivered to processors.

b) Capital Assets

Office furniture and equipment is recorded at cost less accumulated amortization.

Office furniture and equipment is amortized over its estimated useful life using the straight-line method at 20% per annum.

2. Incorporation

The Milk Control Board (Board) is continued as a body corporate under *The Milk Control Act, 1992* (Act). The Board has authority to make any regulations or orders in connection with the production, supply, distribution and sale of milk.

The Board is responsible under the Act for the control and regulation of the marketing of milk in the province. In fulfilling this responsibility, the Board operates a milk pooling system whereby the Board purchases all milk produced in the province and sells it to processors. The Board's agent, Agrifoods International Cooperative Limited, administers the necessary collections and payments. The purchase price paid by the Board is based on the quality and quantity of milk shipped by producers and on the value of milk sold to processors. The value of milk sold to processors is determined by its final product use and prices established by the Board.

3. Capital Assets

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Office furniture and equipment	$50,104	$42,548	$7,556	$8,638

4. Milk Pools

Effective August 1, 1995 (and continued August 1, 2000), the Board entered into an arrangement with its counterparts in Prince Edward Island, Nova Scotia, New Brunswick, Newfoundland and Labrador (effective August 2001), Quebec, Ontario, Manitoba, Alberta, and British Columbia and the Canadian Dairy Commission (CDC). This arrangement provides for pooling of revenues from sales of milk components in industrial and special classes of milk sold in domestic and external markets. CDC administers the Industrial and Special Class Pool.

Effective March 1, 1997, the Board entered into an arrangement with its counterparts in British Columbia, Alberta and Manitoba and CDC. This arrangement provides for pooling of all revenues from sales of Fluid Milk and Industrial Milk, including special classes, by producers to processors in the four western provinces. The purpose of the arrangement is to pool producer returns as if the western provinces constituted a single market. CDC administers the Western Milk Pool.

Based on each province's monthly utilization, CDC will either distribute a portion of, or require a contribution to, the Industrial and Special Class Pool and Western Milk Pool.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Board by virtue of common control or significant influence by the Government of Saskatchewan.

Routine operating transactions with related parties are recorded at the standard rates charged by those organizations and are settled on normal trade terms. These transactions are as follows:

	2003	2002
Various expenses	$ 85,344	$ 89,069

In addition, the Board pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

6. Budget

The budget for the 2003 year was approved by the Board on January 29, 2003.

7. Financial Instruments

a) Fair Value

The Board's financial instruments include accounts receivable and accounts payable. These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

b) Concentration of Credit Risk

The Board is subject to credit risk as virtually all of the Board's milk sales were to one processor.

SASKATCHEWAN MILK CONTROL BOARD

TABLE II (Unaudited)

TOTAL WHOLE MILK REQUIREMENTS, NUMBER OF MILK PRODUCERS AND AVERAGE DAILY PRODUCTION 2002-2003 (KG)

MONTH	YEAR	WHOLE MILK REQUIREMENTS	TOTAL PRODUCTION	NUMBER OF PRODUCERS	DAILY AVERAGE PER PRODUCER
January	2002	7,085,652	18,725,575	332	1,819
	2003	**7,601,472**	**18,339,623**	**310**	**1,908**
February	2002	6,183,350	17,128,328	332	1,843
	2003	**6,762,571**	**16,701,794**	**308**	**1,937**
March	2002	6,907,201	19,057,843	329	1,869
	2003	**7,462,443**	**18,373,526**	**305**	**1,943**
April	2002	6,909,805	18,438,566	328	1,874
	2003	**7,147,620**	**17,729,282**	**300**	**1,970**
May	2002	6,873,368	19,017,510	325	1,888
	2003	**7,410,035**	**18,291,668**	**298**	**1,980**
June	2002	6,189,121	18,256,258	324	1,878
	2003	**6,757,707**	**17,994,843**	**296**	**2,026**
July	2002	6,426,570	18,144,533	319	1,835
	2003	**6,842,533**	**18,547,254**	**296**	**2,021**
August	2002	6,780,386	18,255,755	318	1,852
	2003	**6,982,479**	**17,986,759**	**294**	**1,974**
September	2002	6,589,077	17,088,844	316	1,803
	2003	**7,304,793**	**17,413,571**	**291**	**1,995**
October	2002	7,138,051	17,362,024	315	1,778
	2003	**7,633,047**	**17,711,108**	**286**	**1,998**
November	2002	6,774,080	16,939,714	313	1,804
	2003	**7,062,531**	**17,291,595**	**284**	**2,030**
December	2002	6,915,911	17,967,284	311	1,864
	2003	**7,707,331**	**18,404,660**	**284**	**2,090**
TOTALS	2002	80,772,572	216,382,234	322	1,842
	2003	*** 86,674,562**	**214,785,683**	**296**	**1,988**
% Change		+7.31	-0.74	-8.03	+7.93

*Whole milk requirements for 2003 are not comparable to 2002 due to the more comprehensive reporting of Saskatchewan milk sales, starting in 2003.

TABLE III (Unaudited)

TOTAL KILOGRAMS OF BUTTERFAT SHIPPED IN SASKATCHEWAN BY MONTH AND DAIRY YEAR

Month	1998/99	1999/00	2000/01	2001/02	2002/03
August	597,282	621,698	628,363	611,180	628,414
September	600,376	613,031	626,826	610,121	606,638
October	628,317	643,445	654,091	646,263	645,898
November	610,613	625,326	631,687	635,933	629,994
December	634,519	656,079	662,062	663,513	659,432
January	644,745	667,328	662,932	670,534	667,091
February	592,902	626,629	605,009	608,621	600,544
March	662,506	670,459	674,304	680,624	665,213
April	637,674	653,353	648,820	654,281	630,799
May	658,346	669,913	657,322	669,209	644,986
June	624,687	639,230	626,199	625,588	627,631
July	632,366	638,573	633,859	614,202	637,531
Total	**7,524,333**	**7,725,064**	**7,711,474**	**7,690,069**	**7,644,173**

TABLE IV (Unaudited)

TOTAL SALES OF MILK & CREAM IN LITRES BY SIZE OF CONTAINERS JANUARY 1, 2003 - DECEMBER 31, 2003

SIZE OF CONTAINERS	YEAR	FLUID MILK PRODUCTS	% OF TOTAL	CREAM	% OF TOTAL	TOTAL ALL PRODUCTS	% OF TOTAL
20 LITRES	2002	78,720	.10	-----	----	78,720	.10
	2003	667,900	.83	-----	----	667,900	.79
15 LITRES	2002	877,230	1.16	-----	----	877,230	1.11
	2003	142,065	.18	-----	----	142,065	.17
10 LITRES	2002	16,660	.02	429,340	13.32	446,000	.57
	2003	25,670	.03	509,030	14.40	534,700	.63
4 LITRES	2002	43,732,508	57.92	------	----	43,732,508	55.54
	2003	49,074,816	60.67	------	----	49,074,816	58.13
2 LITRES	2002	23,046,342	30.52	------	----	23,046,342	29.27
	2003	23,027,184	28.47	------	----	23,027,184	27.28
1 LITRE	2002	5,341,754	7.07	798,586	24.78	6,140,340	7.80
	2003	5,460,015	6.75	973,305	27.54	6,433,320	7.62
500 ML.	2002	1,263,432	1.67	1,185,059	36.77	2,448,491	3.11
	2003	1,356,125	1.68	1,221,527	34.56	2,577,652	3.05
475 ML.	2002	245	.00	-----	----	245	.00
	2003	438	.00	-----	----	438	.00
473 ML.	2002	---	.00	-----	----	---	.00
	2003	---	.00	3,516	.10	3,516	.00
400 ml	2002	19,639	.03	-----	----	19,639	.02
	2003	5,968	.01	------	----	5,968	.01
375 ML.	2002	-----	----	-----	----	-----	----
	2003	10,938	.01	------	----	10,938	.01
350 ML	2002	1,521	.00	-----	----	1,521	.00
	2003	6,059	.01	-----	----	6,059	.01
250 ML.	2002	1,047,253	1.39	158,058	4.90	1,205,311	1.53
	2003	993,721	1.23	177,731	5.03	1,171,452	1.39
200 ml	2002	6,453	.01	------	------	6,453	.01
	2003	6,598	.01	------	------	6,598	.01
120 ML.	2002	62,785	.08	------	------	62,785	.08
	2003	90,344	.11	------	------	90,344	.11
CREAMETTES	2002	16,644	.02	651,902	20.23	668,546	.85
	2003	15,517	.02	649,330	18.37	664,847	.79
TOTALS	2002	75,511,186	100.00	3,222,945	100.00	78,734,131	100.00
	2003	*80,883,358	100.00	3,534,439	100.00	84,417,797	100.00

*Total sales are not comparable to 2002 due to the more comprehensive reporting of Saskatchewan milk sales, starting 2003.

SASKATCHEWAN MILK CONTROL BOARD

TABLE V (Unaudited)

PROVINCIAL AVERAGE BUTTERFAT, PROTEIN AND SOLIDS NON-FAT TESTS BY MONTH 2002 - 2003

MONTH	YEAR	BUTTERFAT	PROTEIN	SOLIDS NON-FAT
January	2002	3.5808	3.2597	5.5704
	2003	**3.6374**	**3.2628**	**5.5438**
February	2002	3.5534	3.2426	5.5591
	2003	**3.5957**	**3.2232**	**5.5605**
March	2002	3.5712	3.2546	5.5576
	2003	**3.6205**	**3.2255**	**5.5674**
April	2002	3.5484	3.2199	5.5763
	2003	**3.5579**	**3.1748**	**5.5702**
May	2002	3.5189	3.2023	5.6010
	2003	**3.5261**	**3.1379**	**5.5847**
June	2002	3.4267	3.1488	5.6013
	2003	**3.4878**	**3.1299**	**5.5841**
July	2002	3.3851	3.1069	5.6133
	2003	**3.4373**	**3.1088**	**5.5913**
August	2002	3.4423	3.2155	5.5865
	2003	**3.4377**	**3.1036**	**5.5678**
September	2002	3.5499	3.3054	5.5451
	2003	**3.5862**	**3.2398**	**5.5554**
October	2002	3.7202	3.3658	5.5360
	2003	**3.7011**	**3.3223**	**5.5489**
November	2002	3.7190	3.3371	5.5426
	2003	**3.7589**	**3.3204**	**5.5539**
December	2002	3.6702	3.2765	5.5539
	2003	**3.6673**	**3.2884**	**5.5664**
Weighted ave	2002	3.5555	3.2431	5.5708
Tests	**2003**	**3.5836**	**3.2108**	**5.5664**
% Change		+0.79	-0.99	-0.79